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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Patent Application of:
Mikhail Bershteyn

Confirmation No.: 6366

Application No.: 10/629,098

Art Unit: 3609

Filed: July 29, 2003

Examiner: Chia-Yi Liu

For: METHOD FOR PREPAYMENT OF MORTGAGE HELD AT BELOW MARKET INTEREST RATE

IN RESPONSE TO NOTICE OF NON-COMPLIANT AMENDMENT OF 11/20/2007

MS Non-Fee Amendment
Commissioner for Patents,
PO Box 1450,
Alexandria, VA 22313-1450

Dear Sir:

INTRODUCTORY COMMENTS

1. In response to Notice of Non-Compliant Amendment of November 20, 2007 please consider following:

Listing of the Claims appended to this communication will replace listing of claims in the application. The listing has been brought in compliance with requirements stated in your letter of 11/20/2007 and further clarified in our telephone conversation on 11/26/2007

2. In response to specific claim rejections in the office action of 08/29/2007, please note the following. Office action of 08/29/2007 repeatedly directs applicant to "Mumick et al. (6,006,107)"; 6,006,107 is a patent by a different inventor on an unrelated subject matter. I will assume that the examiner in fact considered Mumick et al. (6,006,207) and will formulate my responses accordingly.

RESPONSES OF OFFICE ACTIONS

1. As per Claim 1, rejected under 35 U.S.C. 102(b) as being anticipated by Mumick et al. (6,006,207):

Claim 1 is canceled in view of rejection. See attached listing of amended claims.

2. As per Claim 2, rejected under 35 U.S.C. 102(b) as being anticipated by Mumick et al. (6,006,207):

Claim 2 is canceled in view of rejection. See attached listing of amended claims.

3. As per Claim 5, rejected under 35 U.S.C. 102(b) as being anticipated by Mumick et al. (6,006,207):

Claim 5 covers the method of prepayment of a mortgage having associated fixed or adjustable interest rate. A principal step in this method is:

> comparing the outstanding balance of the loan with the time-varying value that the loan obligation would fetch in the secondary market.

Mumick et al. does not teach a method of prepayment of a mortgage having an adjustable interest rate. Moreover, Mumick et al. specifically limits its invention to fixed-interest loans or to the fixed-interest portions of loans (column 2, lines 34-36).

Further, Mumick et al. does not teach the comparison of outstanding value of the loan with the value loan obligation would fetch in the secondary market. Instead, Mumick et al. uses a formula to compute the discounted payoff value, the usefulness of such a formula being limited only to the case of a fixed-interest loan.

I assert that the above listed constitutes substantial and patentable differences and respectfully request that the Office reconsider rejection of claim 5.

4. As per Claim 6, rejected under 35 U.S.C. 102(b) as being anticipated by Mumick et al. (6,006,207):

Claim 6 covers the method of prepayment of mortgage having associated fixed or adjustable interest rate directly to the lender holding the mortgage obligation.

Mumick et al. does not teach a method of prepayment of a mortgage having an adjustable interest rate. Moreover, Mumick et al. specifically limits its invention to fixed-interest loans or to the fixed-interest portions of loans (column 2, lines 34-36).

Further, Mumick et al. does not teach the comparison of outstanding value of the loan with the value loan obligation would fetch in the secondary market. Instead, Mumick et

al. uses a formula to compute the discounted payoff value, the usefulness of such a formula being limited only to the case of a fixed-interest loan.

I assert that the above listed constitutes substantial and patentable differences and respectfully request that the Office reconsider rejection of claim 6.

5. As per Claims 3 and 7, rejected under 35 U.S.C. 102(b) as being anticipated by Mumick et al. (6,006,207):

Claims 3 and 7 cover the method in which a third party acquires a mortgage loan in the secondary market and then makes an offer of prepayment to the borrower. This method is substantially different from that described in Mumick et al., which covers only the steps of interaction between the holder of the loan and the borrower. The Mumick reference cited by the examiner (column 8, lines 39-40) does not suggest the contrary; that reference teaches that the prepayment discount option may be given to the borrower at the time of loan origination in return for a higher interest rate, origination fee, etc. This teaching still covers only the transaction between the borrower and the lender. The method covered by my claims 3 and 7 is substantially different from the cited reference because it teaches the way by which a third party can profit from the positive difference between loan balance and the market value of loan obligation, by acquiring such obligation in the secondary market and offering a discount to the borrower.

I assert that the above listed constitutes substantial and patentable differences and respectfully request that the Office reconsider rejection of claims 3 and 7.

6. As per Claims 4 and 8, rejected under 35 U.S.C. 103(a) as being unpatentable over Mumick et al. (6,006,207) in view of Descloux (U.S. 2004/0128232):

Descloux (U.S. 2004/0128232) has a filing date of September 3, 2003, while my application has an earlier filing date of July 29, 2003. Therefore, Descloux (U.S. 2004/0128232) does not qualify as prior art under 35 U.S.C. 102. By itself, the fact of Descloux (U.S. 2004/0128232) having been filed can only attest to the non-obviousness of my claims 4 and 8.

In view of the above, I respectfully request that the Office reconsider rejection of claims 4 and 8. Please note that claim 4 is identified in the listing of amended claims as "currently amended" only because it would now be referring to the method of claim 3 instead of the method of claim 1 as in original claim.

Sincerely,

Mikhail Bershteyn

November 26, 2007

Attachment: Amended listing of claims

1. (Canceled)

2. (Canceled)

3. (Currently amended) A method ~~of claim 1 where the third party acquires a mortgage loan~~ for prepayment of mortgage having an associated fixed interest rate, such method comprising the step of comparing said fixed interest rate with a time-varying market interest rate, the step of acquisition of a mortgage loan from the current lender at the price prevailing in the secondary market for such loans, and ~~then offers the borrower to prepay, in part or in full, principal amount of loan at a discount~~ the step of computing an acceptable amount of loan payoff dependently on the difference between said market interest rate and said fixed interest rate, whereby a payoff amount is smaller than the principal balance of the loan, the difference between loan balance and payoff amount comprising a loan discount that is offered to the borrower.

4. (Currently amended) A method of claim ~~1~~ 3 where the third party acquires the portfolio of mortgage loans which display a statistically meaningful tendency of borrowers to prepay their loans, and then seeks out those borrowers willing to prepay, in part or in full, principal amount of loan at a discount.

5. (Original) A method for prepayment of mortgage having an associated fixed interest rate or an associated adjustable interest rate and a rate adjustment schedule such method comprising the step of comparing the outstanding balance

of the loan with the time-varying value that the loan obligation would fetch in the secondary market, and the step of computing an acceptable amount of loan payoff dependently on the difference between said principal balance and said price, whereby a payoff amount is smaller than the principal balance of the loan, the difference between loan balance and payoff amount comprising a loan discount that is offered to the borrower.

6. (Original) A method of claim 5 where the borrower prepays the principal amount of debt, in full or in part, directly to the lender that holds the mortgage obligation.

7. (Original) A method of claim 5 where the third party acquires a mortgage loan from the current lender at the price prevailing in the secondary market for such loans, and then offers the borrower to prepay, in part or in full, principal amount of loan at a discount.

8. (Original) A method of claim 5 where the third party acquires the portfolio of mortgage loans which display a statistically meaningful tendency of borrowers to prepay their loans, and then seeks out those borrowers willing to prepay, in part or in full, principal amount of loan at a discount.